

EXHIBIT

27

WSJ NEWS EXCLUSIVE NATIONAL SECURITY

Lebanon's Central Bank Fuels Corruption, Extremism Concerns

U.S. and allies seek a forensic audit to check for money laundering, corruption and ties to Hezbollah



Riad Salamé, the central-bank governor, has rejected allegations of involvement in corruption and facilitating Hezbollah.

PHOTO: JOSEPH EID/AGENCE FRANCE-PRESSE/GETTY IMAGES

By [Ian Talley](#)

Updated Nov. 30, 2020 11:31 am ET



Listen to this article

8 minutes

U.S. and other Western financial-enforcement and diplomatic officials are exerting pressure on Lebanon's central bank as part of an international push to sideline Iran-backed Hezbollah, oppose corruption and alleviate the country's economic and political crises.

Washington and its allies for months have demanded a forensic audit of the central bank that they believe may uncover evidence of money laundering, corruption and links to Hezbollah by top Lebanese officials, including at the central bank, Western officials said.

The pressure on the central bank, including the threat of possible sanctions, according to the Western officials, is a rare step the U.S. usually reserves for bitter rivals such as North

Korea, Iran and Venezuela. Forensic audits are investigatory examinations that check for possible evidence of fraud or other activity that could bring legal or enforcement action.

Washington and its allies are leveraging Beirut's desperate need for emergency financing, demanding the examination in the hope of shedding light on long-opaque central-bank operations, the officials said.

Efforts to conduct an exam suffered a setback this month when the independent auditor hired to carry it out withdrew, citing insufficient access to central-bank records.

"Today they thwarted the criminal audit," caretaker Prime Minister Hassan Diab said after the finance ministry announced on Nov. 20 that the New York-based firm Alvarez & Marsal had withdrawn, referring to unspecified parties in the country. "The wall of corruption is too thick and too high for reform," he said.

Current and former Western and Lebanese officials said that influential people in political and economic spheres in Lebanon have so far obstructed international efforts to subject the central bank, known as the Banque du Liban, to a top-to-bottom review.



Lebanese riot police stood guard at the central-bank building during an April antigovernment protest.

PHOTO: HUSSEIN MALLA/ASSOCIATED PRESS

Among those impeding the audit efforts, the officials said, are the central bank's long-serving governor and government regulators tied to Hezbollah, making them potential targets for sanctions by the U.S. and its allies.

During a trip to Beirut in August, U.S. Under Secretary of State for Political Affairs David Hale outlined U.S. concerns. "There's a lot of...focus on the central bank and the need for

an audit of the central bank so that we can understand what exactly has been happening there," Mr. Hale told reporters.

The Beirut Explosion in Photos

GETTY IMAGES/GETTY IMAGES

An explosion of an ammonia nitrate stockpile in August devastated Beirut, killing at least 178, injuring thousands and adding to economic strain.

Months of wrangling over the central-bank audit helped scuttle bailout talks with the International Monetary Fund over the summer, and a former senior Lebanese



VIEW PHOTOS

finance ministry official said a full review is unlikely as long as Riad Salamé, who has served as central-bank governor for nearly three decades, is in charge.

Mr. Salamé told the Journal that allegations that he and the central bank had colluded with Hezbollah or had a role in facilitating corruption and money laundering are untrue. He said the central bank had issued circulars and decisions to ensure that local banks complied with U.S. laws, including sanctions.

The central bank has been the target of protests, including earlier this month, when demonstrators attempted to enter its offices in Beirut after the Lebanese currency hit fresh lows.

Current and former U.S. and allied officials say weak central-bank supervision has helped foster the widespread corruption that has been cited in a series of U.S. sanctions. Earlier this month the U.S. sanctioned former foreign minister Gebran Bassil, son-in-law of Lebanon's president and head of the Free Patriotic Movement, saying he exemplified systemic corruption in Lebanon's political system. Mr. Bassil said the allegations were baseless and called the sanctions retaliation for his refusal to submit to unspecified U.S. political demands.

The officials also said the central bank has been pivotal in financing the U.S.-designated terror group Hezbollah, including attacks against the U.S. and its allies.

U.S. SANCTIONS TARGET LEBANON

The U.S. over the past two years has ramped up sanctions against entities and individuals in Lebanon, part of a bid to rein in the militant Hezbollah movement and curtail corruption that has plagued the country's economy.

Nov. 6, 2020:U.S. sanctions Gebran Bassil, a Lebanese politician, for alleged corruption.

Sept. 8, 2020:U.S. sanctions two former Lebanese officials, opening a campaign aimed at shaping Lebanon's political future.

July 9, 2019:U.S. blacklists Lebanese parliamentarians for the first time.

April 11, 2019: U.S. sanctions a Lebanese currency exchange for allegedly laundering money for Colombian drug cartels and handling transactions for Hezbollah.

May 17, 2018:U.S. sanctions two top Hezbollah financiers, including a man the administration says is a key interlocutor with Iran.

Feb. 2, 2018:U.S. sanctions an international network of businesses it says represent a major financing ring for Hezbollah.

Evidence fueling the concerns are central-bank records—copies of which were reviewed by The Wall Street Journal—showing it allowed known Hezbollah accounts at a Lebanese private bank to operate even after being directed by the U.S. to shut them down.

The U.S.-sanctioned leader of Hezbollah, Secretary-General Hassan Nasrallah, said in May that Mr. Salamé himself was aware of Hezbollah's financial activities, which are sanctioned because of the group's U.S. terror designation.

"Go check and ask the money changers and banks and the Bank of Lebanon governorship," Hezbollah's secretary-general said in public remarks. "They know that we are importing dollars into the country."

Current and former Western officials are concerned Hezbollah's access to the Lebanese banking system allows it to finance attacks against U.S. troops and allies in the region and to support the group's key ally, Iran. U.S. officials also allege that much of Hezbollah's financing from abroad is from illegal activities, including drug trafficking.

The officials say that although Mr. Salamé has shut some Hezbollah accounts at their request, the group's reliable access to the financial system has helped it to flourish.

U.S. officials have said Lebanon's crisis offers a unique opportunity to do what the U.S. has struggled to do in the past: use financial diplomacy to restrain Hezbollah's influence and overhaul a systemically corrupt political system. U.S. officials say no bailout will be approved without a full audit and adoption of policies sought by the IMF.



Protesters in Beirut gathered in early November to denounce the central bank's policies.

PHOTO: NABIL MOUNZER/SHUTTERSTOCK

Without a full audit of the central bank, current and former Western officials say, the full extent of Lebanon's financial problems can't be assessed, including whether the central bank has any foreign currency reserves left to keep a collapsing currency from sparking hyperinflation.

Targeted sanctions give the U.S. the ability to politically hamstring Hezbollah's agents in government, officials and analysts say. David Schenker, U.S. assistant secretary of state for Near Eastern affairs, declined to comment earlier this year on potential sanctions targets. But generally, he said, "We've always said that we will target allies of Hezbollah."

Also under scrutiny, according to people familiar with the matter, is Ahmad Ibrahim Safa, who recently left his position as a board member of the central bank's watchdog committee, the Banking Control Commission of Lebanon. Some intelligence analysts said Mr. Safa has been a leading financial facilitator for Hezbollah through his private and official posts, including as a BCCL board member.

SHARE YOUR THOUGHTS

How can foreign banks be monitored regarding the backing of political organizations? Join the conversation below.

U.S. Justice Department attorneys, in their successful 2011 prosecution of Lebanese Canadian Bank for helping Hezbollah launder billions of dollars in drug money, named Mr. Safa as a key facilitator for the group in his senior compliance role at the bank.

U.S. officials said in that case that Mr. Safa opened and maintained Hezbollah accounts and helped the group move its money around the world by ensuring transactions weren't subject to the required scrutiny meant to detect illicit finance.

Mr. Safa said that his actions were in accordance with policy and guidelines contained in bank circulars and that the institution complied with all U.S. Treasury requirements and central bank guidelines regarding compliance with global anti-money-laundering procedures. "I did not facilitate any transactions for Hezbollah, at all," Mr. Safa said.

The Lebanese Canadian Bank, like another sanctioned Lebanese bank where Mr. Safa previously worked as a senior official, subsequently was dissolved after the Treasury Department cut off its access to the U.S. financial system.

—*Felicia Schwartz and Nazih Osseiran contributed to this article.*

Write to Ian Talley at ian.talley@wsj.com

Appeared in the December 1, 2020, print edition as 'Lebanon's Central Bank Fuels Corruption.'